82d Congress, 2d Session - - - - - House Document No. 324

REPORT OF THE PRESIDENT OF THE COMMODITY CREDIT CORPORATION 1951

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

THE REPORT OF THE COMMODITY CREDIT CORPORATION FOR THE FISCAL YEAR ENDED JUNE 30, 1951, PURSUANT TO SECTION 13, PUBLIC LAW 806, EIGHTIETH CONGRESS

JANUARY 10, 1952.—Referred to the Committee on Banking and Currency and ordered to be printed.

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WASHINGTON : 1952

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LETTER OF TRANSMITTAL

To the Congress of the United States:

In accordance with the provisions of section 13, Public Law 806, Eightieth Congress, approved June 29, 1948, I transmit herewith for the information of the Congress the report of the Commodity Credit Corporation for the fiscal year ended June 30, 1951.

HARRY S. TRUMAN.

THE WHITE HOUSE, *January 10, 1952.*

Report of the President of the Commodity Credit Corporation, 1951

UNITED STATES DEPARTMENT OF AGRICULTURE,
Washington, D. C., October 12, 1951.

Hon. CHARLES F. BRANNAN,
Secretary of Agriculture.

DEAR MR. SECRETARY: I present herewith the report of the Commodity Credit Corporation for the fiscal year ended June 30, 1951.

Sincerely yours,

GUS F. GEISSLER,
President, Commodity Credit Corporation.

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SUMMARY OF OPERATIONS, FISCAL YEAR 1951

Price-Support Program

Domestic and foreign demand for agricultural commodities increased sharply in the months following the invasion of South Korea by the Communists. At the same time, total agricultural production, which was 141 percent of the 1935–39 average in 1949, dropped to 138 percent of the average. As a result, prices received by farmers for all farm commodities as a group were above parity throughout the fiscal year 1951.

The favorable price situation was reflected in sharply decreased support activity. Support extended on 1950 crops totaled only $1,-163,000,000, as compared with $2,683,000,000 on 1949 crops. Also indicative of the decline in support activity was the drop in the price-support "investment"—the dollar total of loans outstanding plus the value of inventories. The investment on June 30, 1951, was $1,767,-000,000, as compared with $3,538,000,000 on the same date a year earlier.

But despite relatively favorable prices and decreased support activity, net realized losses—largely due to liquidation of "old" inventories of perishable commodities and to support of potato prices—amounted to $346,000,000. This loss compares with $249,000,000 in 1950, $255,000,000 in 1949, and an annual average of $55,000,000 (a total of $982,000,000) for the entire period price support has been in effect—a period extending from October 1933 through June 1951.

As of June 30, 1951, the CCC had established valuation reserves of $155,804,000 against loans and inventories to reflect the estimated loss on ultimate disposition of the price-support commodities already in inventory or to be acquired under loan operations. These reserves were based on estimated realizable values as influenced by current market prospects and other known factors. This total reflects a decrease in valuation reserves during the fiscal year 1951 of $543,866,000 from the reserves of $699,670,000 as of June 30, 1950, due in part to improved market conditions for some commodities and to the disposal of large quantities of other commodities for which reserves were provided.

An analysis of net realized losses, commodity by commodity, shows that 70 percent of the total loss in the fiscal year 1951 was chargeable to a few perishable commodities: Dairy products; dried eggs; and potatoes. Losses on dairy products totaled $111,000,000, broken down as follows: Butter, $44,000,000; cheese, $24,000,000; and dried milk, $43,000,000. For dried eggs, the total was $76,000,000. In the case of potatoes, the loss amounted to about $63,000,000.

Losses on dairy products were due in large part to the liquidation of "old" stocks; that is, stocks acquired prior to the fiscal year 1951. Of total butter disposed of during the year, about 80 percent had been acquired prior to July 1, 1950; cheese, almost 50 percent; and dried milk, over 75 percent. Early in the fiscal year, when demand at "break-even" prices failed to develop, substantial quantities of price-support dairy products were donated to school-lunch programs, charitable institutions, and needy persons, while other quantities were sold at less than cost in export outlets. When demand strengthened in the fall of 1950, however, it was possible to sell at cost in domestic trade channels the remaining inventories of butter and cheese, as well as some of the dried milk.

Losses on dried eggs were due wholly to the liquidation of "old" stocks, all the dried eggs sold during the year having been purchased prior to July 1, 1950. Moreover, demand for dried eggs continued weak throughout the 12-month period. As a result, the bulk of total disposals during the year represented donations to school-lunch programs, charitable institutions, and needy persons, as well as large sales in export channels at prices far below cost.

Congress, in effect, prohibited price support for 1951–crop potatoes, but support of the large 1950 crop remained mandatory under the Agricultural Act of 1949, and support operations were carried on throughout the fiscal year 1951. As it turned out, the 1950 crop was about 100 million bushels in excess of requirements, and difficulties were encountered in finding useful outlets for potatoes acquired. Of total potatoes disposed of, 38 percent were sold at nominal prices for stock feed; 18 percent were used in the manufacture of potato starch and flour; and 5 percent were donated to school-lunch programs, charitable institutions, and needy persons; and fewer than 1 percent were exported. But 39 percent represented potatoes disposed of on farms where grown. The net cash recovery on potatoes acquired under price-support operations was only 6 cents out of each dollar spent.

Average support prices in effect for 1950 crops (or production) were as follows:

Basic commodities

Wheat, $1.99 per bushel; corn, $1.47 per bushel (commercial area); cotton, 27.9 cents per pound; peanuts, $216 per ton; rice, $4.56 per hundredweight; and tobacco, per pound—flue-cured, 45 cents; fire-cured, 34.3 cents; burley, 45.7 cents; Maryland, 48.6 cents; dark air-cured, 30.5 cents; Virginia sun-cured, 30.5 cents; Pennsylvania seedleaf, 25.2 cents; Miami Valley filler, 23.6 cents; Puerto Rican filler, 29 cents; Connecticut Valley broadleaf binder, 49 cents; Connecticut Valley Havana seed binder, 49.5 cents; New York and Pennsylvania Havana seed binder, 25.5 cents; Northern Wisconsin binder, 30 cents; and Southern Wisconsin binder, 24.1 cents.

Designated nonbasic commodities

Butterfat, 60 cents per pound; milk for manufacturing, $3.07 per hundredweight; wool, 45.2 cents per pound; mohair, 49.1 cents per pound; extracted honey (wholesale), 9 cents per pound; potatoes $1.01 per bushel; and tung nuts, $63 per ton.

Other nonbasic commodities

Eggs, 37 cents per dozen (basis shell eggs national annual average); barley, $1.10 per bushel; oats, 71 cents per bushel; rye, $1.28 per bushel; sorghums for grain, $1.87 per hundredweight; flaxseed, $2.57 per bushel; soybeans, $2.06 per bushel; dry edible beans, $6.30 per hundredweight; cottonseed, $51 per ton; naval stores, $86.82 per production unit (50 gallons of turpentine and 1,400 pounds of "N" grade rosin); hay and pasture seeds of the following kinds, per pound:

Alfalfa: (Northern and certified Buffalo, Nemastan, and Atlantic) 32 cents; (central, and certified hairy Peruvian, Chilean, Chilean 21–5, and African), 25 cents; (southern), 18 cents; and (certified Ranger, Lodak, Cassack, Meeker, Baltic, and Grimm), 40 cents;

Clovers: (Alsike) 25 cents; (certified Ladino), $1.25; (red), 35 cents; (certified red—Kenland, Midland, and Cumberland), 42 cents; (biennial sweet) 12 cents; (certified sweet—Evergreen, Willamette, Madrid, and Spanish), 18 cents; (Hubam sweet), 10 cents; (White—Louisiana and Mississippi), 50 cents;

Lespedeza: Common or Tennessee, 16 cents; Kobe, 12 cents; Sericea, 15 cents;

Grasses: Smooth brome, 14 cents; certified brome (Achenback, Lincoln, Fisher, Elsberry, and Manchar), 20 cents; certified tall Fescue, 35 cents; orchard grass, 12 cents; common Sudan, 3½ cents; sweet Sudan, 4 cents; certified sweet Sudan (SA–354, SA–372, and sweet), 5 cents; timothy, 7½ cents; certified timothy (Marietta, Loraine, and Hopkins), 10½ cents; crested, slender, and western wheatgrass, 15 cents; intermediate wheatgrass, 25 cents;

Range grasses: Big and little bluestem, 20 cents; sand bluestem, 25 cents; blue grama, 15 cents; side-oats grama, 25 cents; buffalo (in bur), 40 cents; and sand lovegrass, 25 cents;

Winter cover crop seeds—per pound: Hairy vetch, 14.70 cents; common and Willamette vetch, 6.57 cents; Austrian winter peas and blue lupine, 4.52 cents; crimson clover, 16.30 cents; common ryegrass, 7.34 cents; and rough peas, 6 cents.

A total of $1,767,000,000 was invested by the CCC in price-support loans and inventories on June 30, 1951, compared with $3,538,000,000 on the same date a year earlier. Of the 1951 total, $334,000,000 represented loans, and $1,433,000,000 inventories, which had been acquired under loan, purchase agreement, and direct-purchase operations.

Price-support operations in two commodities accounted for the bulk of the loan total. These commodities, the quantities of collateral pledged, and the loans outstanding were as follows:

Commodity:	*Quantity*	*Loans outstanding Dollars*
Corn	129,676,317 bushels	179, 891, 554
Tobacco	246, 849, 302 pounds	114, 244, 504
Other [1]		39, 955, 730
Total		334, 091, 788

[1] Included under "Other" were loans on flaxseed, peanuts, soybeans, hay and pasture seeds, winter cover crop seeds, barley, dry edible beans, grain sorghums, oats, rice, rye, wheat, and upland cotton. In this group, the largest amount of loans on any one commodity was $21,959,235 on wheat.

Table 1 shows major items in the inventory of the CCC as of June 30, 1951, the quantities involved, and the cost.

TABLE 1.—*Quantities and cost of major items in the CCC inventory, June 30, 1951*

Item		Quantity	Cost
Corn	bushels	413, 422, 681	$643, 178, 172
Wheat	do	196, 426, 807	483, 361, 445
Linseed oil	pounds	221, 386, 169	62, 659, 827
Dry edible beans	hundredweight	6, 180, 443	50, 477, 519
Grain sorghums	do	15, 831, 375	40, 744, 282
Dried eggs	pounds	40, 411, 022	40, 180, 333
Barley	bushels	20, 388, 230	31, 642, 823
Field seed	pounds	409, 419, 513	23, 261, 229
Cotton, upland	bales	83, 215	15, 998, 059
Flaxseed	bushels	3, 162, 540	13, 118, 281
Rosin	pounds	144, 164, 380	10, 190, 914
Oats	bushels	9, 031, 447	8, 690, 961
Dried milk	pounds	32, 088, 152	4, 613, 732
Other			4, 574, 141
Total			1, 432, 691, 718

"Other" items in inventory included butter, cheese, peanuts, cotton linters, soybeans, honey, dry edible peas, rice, rye, tobacco, and turpentine, the largest of which was rice with a cost value of $2,630,211.

Storage-Facilities Program

Under its storage-facilities program, the CCC (1) purchases and maintains granaries and equipment for care and storage of CCC-owned or CCC-controlled grain; (2) makes loans or guarantees loans for the construction or expansion of farm-storage facilities; (3) provides storage-use guaranties to encourage the construction of commercial storage facilities; and (4) undertakes such other operations as are necessary to provide storage adequate to carry out effectively and efficiently the CCC's programs.

The CCC, as required under existing legislation, conducts its storage operations subject to the following restrictions: (1) No interest is acquired in real property for storage purposes unless it is determined by the Corporation that existing privately owned storage facilities for the storage of the commodity in the area concerned are not adequate; and (2) to the maximum extent practicable, consistent with the fulfillment of the CCC's purposes and the effective and efficient conduct of its business, the CCC utilizes the usual and customary channels, facilities, and arrangements of trade and commerce in the warehousing of its commodities.

The following is a brief review of operations carried on under the storage-facilities program during the fiscal year 1951:

Grain storage structures having a capacity of 93,000,000 bushels were purchased, bringing the total capacity of CCC-owned structures to approximately 545,000,000 bushels. These structures, acquired at a cost of $126,127,000, were carried on June 30, 1951, at a net book value of $110,514,000.

Loans were made during the year for the construction of on-farm storage facilities having a capacity of 38,000,000 bushels, bringing the total capacity of structures constructed with CCC loans since the inception of the program in June 1949 to 85,000,000 bushels. The net total of storage-facility loans outstanding on June 30, 1951, including loans for the purchase of mobile drying equipment, was $20,004,000.

Completion of approximately 93,000,000 bushels of grain storage space had been assured at the end of the year under the CCC's storage guarantee program. This program, announced in August 1949 to encourage construction of commercial warehouse facilities through guarantee of usage, was discontinued as of February 28, 1951. Applications filed on or before that date, however, were eligible for approval before June 30, 1951. The program in effect during the fiscal year 1951 guaranteed the use of 75 percent of the storage capacity for 3 years for completely new facilities and for 2 years in the case of new additions to existing facilities.

Maritime Administration ships anchored in the Hudson River at Jones Point, N. Y., provided 12,000,000 bushels of storage space. In line with the CCC's policy of restricting the use of leased space wherever possible, however, arrangements were made by the end of the year to discharge all grain stored in the ships.

Storage space acquired through leases or "right-of-entry" agreements in buildings of the Army, Navy, Air Force, and other Government agencies totaled about 2,000,000 bushels at the year's end.

Supply Program

The CCC, under its supply program, procures agricultural commodities to meet domestic requirements and those of United States Government agencies, foreign governments, and relief and rehabilitation agencies.

Activity under this program continued to decline, purchases for supply amounting to only $101,000,000, as compared with $233,000,000 in the fiscal year 1950. The largest decreases were in purchases of wheat, from $127,000,000 to $41,000,000, and sugar, from $20,000,000 to less than $1,000,000.

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The International Wheat Agreement

It was announced on March 29, 1951, that the sales quota guaranteed the United States under the 1950–51 International Wheat Agreement program—248,164,000 bushels—had been filled. Wheat was sold under this program to 37 different countries, large quantities being sold to Germany (58,000,000 bushels); India (28,000,000); United Kingdom (24,000,000); Netherlands (21,000,000); and Italy (14,000,000). All wheat was sold at the maximum price under the agreement—$1.80 per bushel, basis bulk wheat in store at Fort William-Port Arthur, Canada, in terms of United States currency.

The International Wheat Agreement "year" extends from August 1 through July 31 of the following year. In the fiscal year 1951, sales were made under a part of the 1949–50 program, all of the 1950–51 program, and a part of the 1951–52 program, sales under the latter opening June 14, 1951. Sales in the fiscal year 1951 totaled 265,779,000 bushels, on which subsidies of $178,180,000 were paid, or an average of about 67 cents per bushel.

On June 30, 1951, a total of $256,000,000 was due the CCC under the International Wheat Agreement Act of 1949. Of this total, $76,000,000 was due from the fiscal year 1950 and $180,000,000 from the fiscal year 1951.

Foreign-Purchase Program

Procurement was stepped up under the foreign-purchase program, the dollar volume of purchases rising from $31,000,000 in the fiscal year 1950 to $63,000,000 in the fiscal year 1951. The increase is accounted for largely by substantial purchases abroad of long-staple cotton and wool of foreign origin, both items urgently needed for defense.

Donation Operations

Accounting records of the CCC show that, during the fiscal year 1951, foods costing $113,695,000 were donated under authority of section 416 of the Agricultural Act of 1949 and under Public Law No. 471, Eighty-first Congress, second session. The quantities involved were as follows: Butter, 67,594,000 pounds; cheese, 25,784,000 pounds; dried milk, 123,436,000 pounds; potatoes, 3,218,000 hundredweight; and dried eggs, 35,391,000 pounds.

Financial Status

The deficit of the CCC as of June 30, 1951, was $575,627,276. Comprising this amount was the sum of $798,236,490 which had been recorded through June 30, 1950, reduced by the gains of $155,910,757 recorded during the fiscal year 1951 and the cancellation of notes in the amount of $66,698,457 as a result of the Treasury Department's appraisal as of June 30, 1949. The capital impairment of the CCC at June 30, 1950, as determined by the Secretary of the Treasury pursuant to the provisions of the Act of March 8, 1938, as amended, was $421,462,507. This latter amount will be restored to the CCC when the Agricultural Appropriation Act of 1952 becomes law.

Borrowing Authority

As of June 30, 1951, the CCC was authorized to have total borrowings outstanding and obligations to purchase loans held by lending agencies at any one time of $6,750,000,000 to carry on its various operations, including the price-support program. The CCC had in use $2,610,000,000 of its statutory borrowing authority; i. e., actual borrowings totaled $2,555,000,000 and obligations to purchase commodity and storage loans held by lending agencies amounted to $55,000,000. This left a net statutory borrowing authority available of $4,140,000,000. In addition, other current operating obligations of the CCC amounted to $74,000,000, some part of which may be liquidated by the use of borrowing authority. These current operating obligations included accounts payable and accrued liabilities totaling $55,000,000, purchase agreements amounting to $6,000,000, and other commitments of approximately $13,000,000. The CCC has a paid-in capital of $100,000,000 and at times it receives advances from purchasers of commodities. These funds, of course, reduce the amount of borrowings necessary for the CCC to carry out its operations.

FINANCIAL CONDITION, AS OF JUNE 30, 1951

ASSETS		
1. Cash		$18, 975, 681. 55
2. Loans:		
Commodity loans held by Commodity Credit Corporation	$284, 461, 422. 47	
Commodity loans held by lending agencies (see Item 9)	49, 506, 037. 53	
	333, 967, 460. 00	
Less: Reserve for losses	4, 947, 000. 00	
Commodity loans (net)		329, 020, 460. 00
Storage-facility and equipment loans held by Commodity Credit Corporation	$14, 195, 432. 40	
Storage-facility and equipment loans held by lending agencies (see Item 10)	5, 809, 017. 70	
		20, 004, 450. 10
Loan to Secretary of Agriculture		23, 750, 000. 00
3. Commodity inventories (cost)	$1, 500, 730, 579. 22	
Less: Reserve for losses	150, 857, 000. 00	
		1, 349, 873, 579. 22
4. Accounts and notes receivable	369, 447, 422. 04	
Less: Reserve for losses	4, 956, 628. 54	
		364, 490, 793. 50
5. Accrued assets		374, 373. 95
6. Fixed assets (net)		110, 569, 096. 69
7. Other assets		219, 354. 75
Total assets		2, 217, 277, 789. 76
LIABILITIES		
8. Borrowings:		
From United States Treasury	$2, 555, 000, 000. 00	
From banks	----------	
		2, 555, 000, 000. 00
9. Obligation to purchase commodity loans held by lending agencies		49, 506, 037. 53

FINANCIAL CONDITION, AS OF JUNE 30, 1951—Continued

LIABILITIES—Continued

10. Obligation for guaranty of storage-facility and equipment loans held by lending agencies	$5,809,017.70
11. Trust and deposit liabilities	21,263,129.70
12. Accounts payable	18,349,639.34
13. Accrued liabilities	36,872,884.67
14. Deferred income	3,561,148.86
15. Other liabilities	908,138.87
16. Reserve for producers' equity—disposition of price-support inventories	1,635,069.82
17. Capital stock held by U. S. Government	100,000,000.00
18. Surplus (or deficit*)	*575,627,276.73
Total liabilities	2,217,277,789.76

*Deficit.

Notes on Financial Statements

LOANS RECEIVABLE

Loans receivable as reflected in the Statement of Financial Condition represent loans held by Commodity Credit Corporation or lending agencies as recorded in the accounts of the Corporation. Certain matured loans not submitted by lending agencies for purchase by the Corporation have been removed from the loan accounts. Approved commitments to make or guarantee loans on storage facilities with an aggregate capacity of 4,127,683 bushels amounted to $1,131,777 as of June 30, 1951. Also, commitments to make or guarantee five equipment loans amounted to $6,581. These commitments are not reflected in the accounts.

COMMODITY INVENTORIES

Inventories are recorded at cost, which includes storage, handling, transportation, and accessorial expense. Because of the varied character of the many commodities (for example, bulk grains and processed foods) included in the inventory and the related trade practices in storing and handling, cost is determined by the "first-in, first-out" method for some commodities and by the "average cost" or "individual lot cost" method for other commodities. A consistent method for each commodity is followed from period to period. Inventory transactions are recorded on the basis of transfer of title. Firm contracts to purchase are reflected in the accounts for only those commodities on which it is estimated losses will be sustained upon disposition of the inventory to be acquired. Sales commitments are not reflected in the accounts but are considered in the estabilshment of valuation reserves. Outstanding purchase agreements with producers under which commodities may be delivered under price-support programs are not recorded in the accounts. Such purchase agreements outstanding on June 30, 1951, were on 2,505,104 bushels of 1950 corn ($3,519,000).

Of the 1950 crop commodities under purchase agreements which matured prior to June 30, 1951, it is estimated that purchases of these commodities may aggregate $2,000,000 subsequent to June 30, 1951.

CLAIMS

Amounts due the Commodity Credit Corporation arising from claims that are definitely known or can reasonably be established are recorded currently in the accounts of the Corporation as accounts receivable. A reserve for losses is provided to cover amounts where collection is doubtful, as well as estimated reductions or adjustments in the liquidation of such claims. Amounts of claims of doubtful character and those on which adequate proof has not been established are not recorded as accounts receivable but are recorded for control purposes. It is estimated that such claims amounted to $7,007,409 as of June 30, 1951.

Claims against the Corporation where the amounts are definitely known or can reasonably be established are recorded as accounts payable. Amounts of claims which are not considered valid by the Corporation are not reflected as accounts payable. Claims in this category were estimated at $2,903,733 as of June 30, 1951.

Valuation Reserves

The amounts established in the accounts for valuation reserve against loans, commodity inventories, commodities under contract to purchase, and accounts and notes receivable reflect the estimated loss on ultimate disposition of the respective assets, based on estimated realizable values. Valuation reserves are adjusted monthly to reflect (1) revised estimates of realizable values because of changing market prospects and all other known factors, (2) acquisition of additional items on which reserves are necessary, and (3) dispositions of items for which reserves are provided.

Losses Through Physical Destruction Subsequent to Date of Statement

Subsequent to June 30, 1951, approximately 1,000,000 pounds of tobacco loan collateral stored in Kentucky was destroyed by fire. The destruction of this collateral will result in a loss to the Corporation of approximately $625,000 to be recorded in the fiscal year 1952. In addition, grains under loan and owned by the Corporation which were stored in the Midwest flood area were damaged during July 1951 as a result of flood. The undetermined loss to the Corporation will be recorded in the accounts in the fiscal year 1952. It is estimated that losses will not exceed $10,000,000.

International Wheat Agreement Act of 1949

In addition to the amounts paid and accrued under the International Wheat Agreement, declarations of sales for which exporters of wheat and wheat flour have not submitted requests for export payment totaled $10,643,983 as of June 30, 1951. The amount of these approved declarations represents a contingent liability of the Corporation to make such export payments upon fulfillment of all requirements. When payments are made on these declarations, an account receivable for such amounts will be established under the classification "Due Under International Wheat Agreement Act of 1949."

Storage Guaranty Agreements

In areas where storage facilities are inadequate, the Corporation has entered into storage agreements with certain cooperative associations and other commercial warehousemen guaranteeing use of 75 percent of the usable space of new storage capacity for a period of 3 years in completely new storage structures, and for a period of 2 years in new additions to existing storage structures. Active agreements were outstanding on an approximate 93,000,000-bushel capacity as of June 30, 1951. Liabilities on these contracts which can be established with reasonable certainty are reflected in the accounts.

Surplus

Surplus, as reflected in the Statement of Financial Condtion, represents the results of operations of the Corporation since its inception in 1933, (*a*) after the restoration (net) of capital by the United States Treasury in accordance with the Act of March 8, 1938, as amended, (*b*) after net price-support losses in the amount of $500,000,000 have been charged to the reserve for postwar price support of agriculture, and (*c*) after the recovery of certain specified losses from the Secretary of the Treasury under Public Laws 389 and 393, Eightieth Congress. The deficit as of June 30, 1950, and June 30, 1951, as determined by appraisal in accordance with Act of March 1938, as amended, will be recovered from the United States Treasury.

Description of Items in Statement of Financial Condition

Assets

1. Cash:

The cash funds of the Corporation represent funds used in current operations. All cash is on deposit with the Treasurer of the United States in various accounts with the exception of receipts on hand and collections-in-transit items forwarded by field offices to the Federal Reserve Banks, but not as yet credited to the account with the Treasurer of the United States, and any cash deposited with the Federal Reserve Bank at New Orleans for distribution of producers' equities in liquidated cotton pools.

2. Loans:

Most of the loans made by the Corporation for price-support purposes are nonrecourse loans to farmers and to cooperative marketing associations and are secured by the pledge of agricultural commodities. Loans to peanut shellers are recourse loans. Some loans are made direct by the Corporation, but most loans are made through lending agencies, generally commercial banks in farm areas. The loans bear interest at 3 percent. The Corporation stands ready to purchase at any time any of its commodity loans held by private lending agencies, if the loan papers are in proper order. (See Liability Item 9, "Obligation to purchase commodity loans held by lending agencies.")

Loans secured by chattel or real estate mortgages on newly constructed farm storage facilities are made by approved lending agencies, or direct by the Corporation. These loans bear interest at 4 percent and may be paid in five annual installments. The Corporation guarantees the loans made by lending agencies and is obligated to purchase such loans in default more than 12 months. (See Liability Item 10, "Obligation for guaranty of storage-facility and equipment loans held by lending agencies.")

Loans are reflected in the accounts of the Corporation at the unpaid balance, but reserves are provided, when required, to reflect the amount of estimated losses upon disposition of the balances due or collateral acquired.

Section 391 (c) of the AAA (Agricultural Adjustment Act) of 1938, as amended requires the Corporation to loan to the Secretary of Agriculture such sums as the Secretary estimates will be required to make advances pursuant to the applicable provisions of sections 8 and 12 of the Soil Conservation and Domestic Allotment Act, as amended. These loans are used to purchase conservation material during the period of January 1 to June 30 of each year. The loan is repaid with interest from funds appropriated for the activity.

3. Commodity inventories:

Commodity inventories were acquired generally for (*a*) price support and (*b*) supply-program purposes. Certain inventories acquired for price-support purposes and committed for sale to the Secretary of Agriculture pursuant to his authority under the Defense Production Act of 1950 are carried under the supply program. The book value of inventories, with certain exceptions, represents the Corporation's cash investment plus the accrued carrying charges on the inventories held. In its purchase operations the Corporation acquires full title to the commodities procured. Upon the nonpayment of loans the Corporation in some instances acquires full title to the pledged commodities forfeited and in other instances pools the loan collateral acquired for the account of producers. Under the pooling arrangement, producers have an equitable interest in any net proceeds from the sales of the commodities pooled. Inventory valuation reserves are established to reduce inventories to the estimated realizable value based on all known factors, including contemplated ultimate disposition.

4. Accounts and notes receivable:

A major part of receivables is represented by amounts due from Government agencies (Economic Cooperation Administration, Department of the Army) and other appropriated funds. However, receivables from a wide variety of other debtors, including suppliers, warehousemen, processors, and railroads, as well as from producers whose loan collateral was found deficient, are included in this classification. Also included is the cost in connection with the International Wheat Agreement Act of 1949. A reserve is provided for estimated losses on accounts and notes receivable.

5. Accrued assets:

This item includes the accrued interest due from borrowers which the Corporation purchases from lending agencies when it acquired loans from them. Interest is purchased at 1½ percent on commodity loans (with minor additional allowance for small loans) from the date the lending agency made the loan until the date the loan is acquired by the Commodity Credit Corporation. Interest is purchased at 4 percent on storage facility and equipment loans from the date of the loan or last repayment to the date the loan is purchased. Interest purchased is reduced by a portion of the interest collections from borrowers. Interest is accrued on recourse loans to peanut shellers, certain notes and accounts receivable, and on storage-facility and equipment loans held by the Corporation.

6. Fixed assets:

The major fixed assets are storage structures and related equipment and the investment of the Corporation in the Natural Cooler Storage Facility at Atchison, Kans. The initial investment in the Natural Cooler Storage Facility was completely amortized by March 31, 1947. Subsequent acquisitions of equipment are fully reserved. Steel and wooden grain bins and equipment acquired in prior years have been substantially depreciated; storage facilities and equipment purchased in the fiscal years 1950 and 1951 under the current storage program will be depreciated over a 20-, 10-, or 5-year period, depending on the type of asset purchased. A tobacco storage property purchased at the value of the land is carried at cost.

7. Other assets:

Included in this group are various undistributed charges, temporary in nature, which await proper identification before transfer to other accounts.

Liabilities

8. Borrowings:

Borrowings from the United States Treasury for current financing on a day-to-day basis are evidenced by interest-bearing notes in multiples of 1 million dollars. Funds borrowed from lending agencies represent money borrowed from commercial banks acting as agents and custodians for the Corporation in the peanut-purchase program. These borrowings represent demand obligations guaranteed by the United States, and may be repaid by the Corporation at any time.

9. Obligation to purchase commodity loans held by lending agencies:

This liability represents the obligation of the Corporation to purchase upon presentation the commodity loans held by lending agencies, and is the offset to the asset "Commodity loans held by lending agencies." Cotton loans made by lending agencies, for which cotton certificates of interest evidence the liability of the Corporation to purchase the loans, are included in commodity loans held by lending agencies, and the outstanding certificates are included in this classification. The liability is shown as the unpaid balance of the loans.

10. Obligation for guaranty of storage-facility and equipment loans held by lending agencies:

This item represents the principal amount of the storage facility and equipment loans guaranteed by the Corporation.

11. Trust and deposit liabilities:

The principal items in this group are the advances of funds by the Department of the Army, other Government agencies, international welfare and relief organizations, and cash-paying claimants in anticipation of the invoicing for deliveries of commodities.

12. Accounts payable:

Accounts payable consist principally of amounts due vendors for commodities purchased and drafts payable to producers under the price-support program. Collections due holders of cotton certificates of interest are also included in this item. Undistributed producers' equities which have been approved for payment are included.

13. Accrued liabilities:

This group includes storage and other carrying charges accrued on commodity inventories. Obligations under certain contracts to purchase commodities are accrued for financial statement purposes. Also included in this classification is an accrual of administrative expense. Interest is accrued on borrowings from the United States Treasury and on the capital stock of the Corporation. However, as of June 30 this obligation has been paid. Interest is accrued on cotton certificates of interest to be repaid in the subsequent month.

14. Deferred income:

Recovery of administrative expenses incurred in the operation of the supply-program activities is accomplished by means of a markup included in invoices rendered. This item represents the balance of the markup available for reimbursement of supply-program administrative expense.

15. Other liabilities:

This item consists largely of unapplied receipts which are initially recorded in this account and are removed as proper disposition is effected. Also included are deferred credits in connection with the cotton program.

16. Reserve for producers' equity:

Reserves are maintained which reflect producers' equity in the proceeds from pooled cotton sales and in the gains from the sale of peanuts of the types declared to be in short supply pursuant to Public Law 471, Eighty-first Congress.

17. Capital stock held by United States Government:

All capital stock of the Corporation in the amount of $100,000,000 is held on behalf of the United States.

18. Surplus:

Surplus as reflected on the statement of financial condition represents the results of the operations of the Corporation since its inception in 1933, (*a*) after the restoration (net) of capital by the United States Treasury in accordance with the Act of March 8, 1938, as amended, and (*b*) after the net price-support losses in the amount of $500,000,000 have been charged to the reserve for the postwar price support of agriculture, and (*c*) after the recovery of certain specified losses from the Secretary of the Treasury under Public Laws 389 and 393, Eightieth Congress.

INCOME AND EXPENSE, FISCAL YEAR 1951

I. Income and expense—general:		
1. Income:		
(*a*) Interest on loans	$15,083,044.59	
(*b*) Other interest income	2,737,236.91	
(*c*) Other income	229,287.19	
(*d*) Total income		$18,049,568.69
2. Expense:		
(*a*) Interest expense	*$37,094,373.63	
(*b*) General overhead expense (net)	*22,567,289.50	
(*c*) Other expense	*34,339.06	
(*d*) Total expense		*59,696,002.19
Net income (or expense*)—general		*41,646,433.50
II. Realized gains and losses—program:		
1. Commodity inventory operations:		
(*a*) Sales of commodities	$2,003,776,327.68	
(*b*) Cost of sales	*2,173,588,702.91	
(*c*) Net gain (or loss*) on sales		*169,812,375.23
(*d*) Provision for producers' equity—Disposition of price-support inventories		*68,897,285.73
(*e*) Provision for gain (or loss*) on Defense Production Act transactions		*938.59
(*f*) Recovery of losses on sale of Mexican canned meat		6,981,851.96
(*g*) Adjusted gain (or loss*) on sales		*231,728,747.59
(*h*) Cost of commodities donated [1]		*113,694,850.94
(*i*) Net gain (or loss*) on commodity inventory operations		*345,423,598.53
2. Charge-offs:		
(*a*) Loans (net)	*$670,759.37	
(*b*) Accounts, notes receivable and other	*460,308.93	
(*c*) Total charge-offs		*1,131,068.30

[1] Donations under section 416 Agricultural Act of 1949, Public Law 439, and section 3, Public Law 471, 81st Cong.

INCOME AND EXPENSE, FISCAL YEAR 1951—Continued

II. Realized gains and losses—program—Continued		
3. Other program costs and adjustments:		
(a) Gains	$2,191,898.13	
(b) Losses*	*3,109,443.02	
(c) Net other program costs and adjustments		*$917,544.89
Net realized gain (or loss*)—program		*347,472,211.72
III. Adjustment of valuation reserves—program:		
1. Reserve for losses on loans	$77,396,000.00	
2. Reserve for losses on commodity inventories	432,014,000.00	
3. Reserve for losses on commodities under contract to purchase	34,456,000.00	
4. Reserve for losses on accounts and notes receivable	1,163,401.82	
Net adjustment of valuation reserves—program		545,029,401.82
IV. Net gain (or loss*) transferred to surplus		155,910,756.60

NOTE.—All amounts reducing income or increasing expense or losses are designated by asterisks.

Description of Items in Statement of Income and Expense

I. INCOME AND EXPENSE—GENERAL

1–a. Interest on loans:

This classification includes interest accrued and collected on loans. Interest is accrued currently on recourse loans to peanut shellers and periodically on storage-facility and equipment loans held by the Corporation. Interest on outstanding nonrecourse loans is not accrued or collected periodically but treated as income only upon repayment of loans.

Upon redemption of pledged commodities, the borrower pays interest at 3 percent on the loan plus charges paid from the date of the loan or advance. In the interest income account, the Corporation reflects the total interest collections remitted by lending agencies and interest collected by the Corporation less that portion applied to interest purchased. Interest income at 3 percent is collected on cotton loans for which cotton certificates of interest have been issued. Interest is paid at 1½ percent on the cotton certificates of interest and is deducted from interest on loans.

Borrowers pay interest at 4 percent on storage-facility and equipment loans. Lending agencies retain all interest collected by them on these loans.

1–b. Other interest income:

Interest on miscellaneous notes and claims is included in this classification.

1–c. Other income:

This classification includes various receipts which are not allocated to programs.

2–a. Interest expense:

Interest due the United States Treasury on the capital stock of the Corporation is accrued monthly and is payable on June 30 of each year. This item also includes the interest accrued on the interest-bearing notes held by the United States Treasury and on the borrowings from private lending agencies, mainly commercial banks, incurred in connection with certain commodity-purchase programs.

2–b. General overhead expense:

Salaries, travel expense, supplies, custodian and agency fees, and other indirect expenses are included in this classification. Expense for work performed on behalf of foreign governments and other government agencies on a reimbursable basis, and the reimbursements therefor are reflected in the net total general overhead expense.

2–c. Other expense:

This classification includes various expenses which are not allocated to programs.

II. Realized Gains and Losses—Program

1–a. Sales of commodities:

Sales are generally recorded by the Corporation when title passes to the purchaser; for example, as commodities are shipped or loaded for shipment. Recoveries from warehousemen and carriers on inventory losses are also in this classification.

1–b. Cost of sales:

Cost of sales includes the acquisition cost of commodities disposed of and related charges for storage, handling, and transportation. Inventory adjustments are also included.

1–d. Provision for producers' equity:

This deduction represents the amount set aside as due producers in connection with cotton pools and sales of peanuts of the types declared to be in short supply pursuant to Public Law 471, Eighty-first Congress.

1–e. Provision for gain (or loss) on Defense Production act transactions:

The net gain (or loss) on sales of commodities where the risk has been assumed by the Secretary of Agriculture pursuant to his authority under the Defense Production Act is transferred to accounts receivable—due under Defense Production Act.

1–f. Recovery of losses on sale of Mexican canned meat:

The net losses on the sale of Mexican canned meat transferred to the Corporation for disposition are recovered by payments from the Bureau of Animal Industry under appropriated funds and are not chargeable to the Corporation.

1–h. Cost of commodities donated:

This item represents the cost of commodities donated under section 416, Agricultural Act of 1949, Public Law 439, Eighty-first Congress, and section 3, Public Law 471, Eighty-first Congress.

2. Charge-offs:

This classification includes charge-offs of loans and accounts and notes receivable. Losses sustained in the liquidation of loan programs includes instances of uninsured fire and flood losses.

3. Other program costs and adjustments:

This item includes certain program gains and losses not elsewhere classified, a portion of which represents adjustments to prior-year activity. Under the storage-facilities program, the major amount of losses reflected in this item represents costs paid and accrued under the storage use guarantee agreements. Operation and maintenance costs applicable to owned storage structures are reflected as carrying charges on the commodiites stored.

Net realized gain (or loss*)—program:

This total reflects all of the various income and expense items which are incident to and identifiable to specific programs, as distinct from the more general interest income and interest and overhead expense that are not allocated to programs.

III. Adjustment of Valuation Reserves—Program

Under this heading are reflected the net changes in valuation reserves for the period of the report. Losses are not charged directly against valuation reserves but are reflected in the statement of income and expense in gain or loss on sales and charge-offs.

COMMODITY CREDIT CORPORATION CHARTER ACT, AS AMENDED

History

The Commodity Credit Corporation was organized October 17, 1933, pursuant to Executive Order No. 6340. This agency, originally incorporated under the laws of the State of Delaware, was managed and operated in close affiliation with the Reconstruction Finance Corporation up to July 1, 1939, as an agency of the United States. On that date, the Commodity Credit Corporation was transferred to and made a part of the United States Department of Agriculture.

Approval of the Commodity Credit Corporation Charter Act (Public Law No. 806, 80th Cong.) on June 29, 1948, established the Corporation—effective July 1, 1948—as an agency of the United States under a permanent Federal Charter. Public Law No. 85, Eighty-first Congress, approved June 7, 1949, amended the Charter Act in several important respects.

Permanent Authority

The Commodity Credit Corporation Charter Act, as amended, authorizes the Corporation to: (1) Support prices of agricultural commodities through loans, purchases, payments, and other operations; (2) make available materials and facilities required in the production and marketing of agricultural commodities; (3) procure agricultural commodities for sale to other Government agencies, foreign governments, and domestic, foreign, or international relief or rehabilitation agencies, and to meet domestic requirements; (4) remove and dispose of surplus agricultural commodities; (5) increase domestic consumption of agricultural commodities through development of new markets, marketing facilities, and uses; (6) export or cause to be exported, or aid in the development of foreign markets for, agricultural commodities; and (7) carry out such other operations as Congress may specifically authorize or provide for.

The Corporation is directed to utilize to the maximum extent practicable, the customary channels, facilities, and arrangements of trade and commerce in carrying on purchasing and selling operations (except sales to other Government agencies), and in conducting warehousing, transporting, processing, and handling operations.

The Corporation may contract for the use of plants and facilities for the handling, storing, processing, servicing, and transporting of agricultural commodities subject to its control. The Corporation has authority to acquire personal property and to rent or lease office space necessary for the conduct of its business. It is prohibited from acquiring real property or any interest therein except for the purposes of protecting its financial interests and for providing adequate storage to carry out its programs effectively and efficiently. No refrigerated cold-storage facilities may be constructed or purchased except with funds specifically provided by Congress for that purpose.

To encourage storage of grain on farms, the Corporation is directed to make loans available to grain producers for financing the construction or purchase of suitable storage.

The Corporation is authorized to accept strategic and critical materials produced abroad in exchange for agricultural commodities acquired by it. Strategic and critical materials so acquired shall, to the extent approved by the Munitions Board of the National Military Establishment, be transferred to the stockpile, and, when transferred, the Corporation shall be reimbursed in an amount equal to the fair market value of the material transferred. The Corporation also is authorized to acquire, hold, or dispose of strategic materials as it deems advisable in carrying out its functions and protecting its assets.

Borrowing Power

Borrowings by the Corporation (other than trust deposits and advances received on sales) and obligations to purchase loans held by lending agencies must not exceed $6,750,000,000 at any one time. The Corporation is capitalized at $100,000,000, subscribed by the United States. Interest must be paid to the United States Treasury on the capital stock—and on the amount of the obligations of the Corporation purchased by the Secretary of the Treasury—at such rates as may be determined by the Secretary of the Treasury.

Management

Management of the Corporation is vested in a board of directors, subject to the general supervision and direction of the Secretary of Agriculture, who is an ex officio director and is chairman of the board. The board consists of six members (in addition to the Secretary of Agriculture), who are appointed by the President of the United States by and with the advice of the Senate.

The Commodity Credit Corporation Charter Act, as amended, provides for an advisory board consisting of five members appointed by the President of the United States. Not more than three of the members shall belong to the same political party. The advisory board is required to meet at the call of the Secretary of Agriculture at least every 90 days. The function of this board, which is made up of members having broad agricultural and business experience, is to survey the general policies of the Corporation, including those connected with the purchase, storage, and sale of commodities, and the operation of lending and price-support programs.

The Secretary of Agriculture is directed to appoint such officers and employees as may be necessary for the conduct of the business of the Corporation, define their authority and duties, delegate to them such of the powers vested in the Corporation as he may determine, require that such of them as he may designate be bonded, and fix the penalties therefor.

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